

For Six Month Period Ending January 31, 2008
(Insert date)

I - REGISTRANT

1. (a) Name of Registrant (b) Registration No.

KWR International, Inc.

5119

- (c) Business Address(es) of Registrant

275 Madison Avenue
NY, NY, 10016

2. Has there been a change in the information previously furnished in connection with the following:

- (a) If an individual:
- | | | |
|-----------------------|------------------------------|-----------------------------|
| (1) Residence address | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (2) Citizenship | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (3) Occupation | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
- (b) If an organization:
- | | | |
|--------------------------|---|--|
| (1) Name | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| (2) Ownership or control | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| (3) Branch offices | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

- (c) Explain fully all changes, if any, indicated in items (a) and (b) above.

Address Change

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4 AND 5(a).

3. If you have previously filed Exhibit C¹, state whether any changes therein have occurred during this 6 month reporting period.

Yes ☐ No ☒

If yes, have you filed an amendment to the Exhibit C? Yes ☐ No ☐

If no, please attach the required amendment.

¹ The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, and by laws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, Criminal Division, U.S. Department of Justice, Washington, DC 20530.)

4. (a) Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes ☐ No ☒

If yes, furnish the following information:

Name	Position	Date connection ended
------	----------	-----------------------

- (b) Have any persons become partners, officers, directors or similar officials during this 6 month reporting period? Yes ☐ No ☒

If yes, furnish the following information:

Name	Residence address	Citizenship	Position	Date assumed
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5. (a) Has any person named in item 4(b) rendered services directly in furtherance of the interests of any foreign principal? Yes ☐ No ☒

If yes, identify each such person and describe his service.

- (b) Have any employees or individuals, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting period? Yes ☐ No ☒

If yes, furnish the following information:

Name	Position or connection	Date terminated
------	------------------------	-----------------

- (c) During this 6 month reporting period, has the registrant hired as employees or in any other capacity, any persons who rendered or will render services to the registrant directly in furtherance of the interests of any foreign principal(s) in other than a clerical or secretarial, or in a related or similar capacity? Yes ☐ No ☒

If yes, furnish the following information:

Name	Residence address	Citizenship	Position	Date assumed
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6. Have short form registration statements been filed by all of the persons named in Items 5(a) and 5(c) of the supplemental statement? Yes ☐ No ☐

If no, list names of persons who have not filed the required statement.

n/a

II - FOREIGN PRINCIPAL

7. Has your connection with any foreign principal ended during this 6 month reporting period?

Yes ☒ No ☐

If yes, furnish the following information:

Name of foreign principal

KOTRA New York office

Date of termination

12/20/07

8. Have you acquired any new foreign principal² during this 6 month reporting period?

Yes ☒ No ☐

If yes, furnish the following information:

Name and address of foreign principal

KOTRA New York office
460 Park Ave, NYC 10022

Date acquired

11/27/07

9. In addition to those named in Items 7 and 8, if any, list foreign principals² whom you continued to represent during the 6 month reporting period.

Jatro New York

10. EXHIBITS A AND B

(a) Have you filed for each of the newly acquired foreign principals in Item 8 the following:

Exhibit A³ Yes ☒ No ☐
Exhibit B⁴ Yes ☒ No ☐

If no, please attach the required exhibit.

(b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during the 6 month period? Yes ☐ No ☒

If yes, have you filed an amendment to these exhibits? Yes ☐ No ☒

If no, please attach the required amendment.

² The term "foreign principal" includes, in addition to those defined in Section 1(b) of the Act, an individual organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a) (9).) A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)

³ The Exhibit A, which is filed on Form CRM-157 (Formerly OBD-67), sets forth the information required to be disclosed concerning each foreign principal.

⁴ The Exhibit B, which is filed on Form CRM-155 (Formerly OBD-65), sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

III - ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 7, 8, and 9 of this statement? Yes ☒ No ☐

If yes, identify each such foreign principal and describe in full detail your activities and services:

KOTRA MY: Support MY visit/special event featuring Minister of Commerce, Industry & Energy
JETRO MY: General monitoring & counsel, publication of releases & newsletters, special event support analysis & research

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity⁵ as defined below? Yes ☒ No ☐

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates and places of delivery, names of speakers and subject matter.

Kotra: see above
Jetro: see above

13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals? Yes ☒ No ☐

If yes, describe fully.

media monitoring & counsel

⁵ The term "political activities" means any activity that the person engaging in believes will, or that the person intends to, in any way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

IV - FINANCIAL INFORMATION

14. (a) RECEIPTS-MONIES

During this 6 month reporting period, have you received from any foreign principal named in Items 7, 8, and 9 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise? Yes ☒ No ☐

If no, explain why.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies⁶

Date	From whom	Purpose	Amount
8/1/07 - 1/31/08	Jetro NY	Public Relations	\$40,000
			19,000
12/07	Kotler NY		
			59,000
			<u>Total</u>

(b) RECEIPTS - FUND RAISING CAMPAIGN

During this 6 month reporting period, have you received, as part of a fund raising campaign⁷, any money on behalf of any foreign principal named in items 7, 8, and 9 of this statement? Yes ☐ No ☒

If yes, have you filed an Exhibit D⁸ to your registration? Yes ☐ No ☒

If yes, indicate the date the Exhibit D was filed. Date _____

(c) RECEIPTS - THINGS OF VALUE

During this 6 month reporting period, have you received any thing of value⁹ other than money from any foreign principal named in Items 7, 8, and 9 of this statement, or from any other source, for or in the interests of any such foreign principal?

Yes ☐ No ☒

If yes, furnish the following information:

Name of foreign principal	Date received	Description of thing of value	Purpose
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^{6, 7} A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. (See Rule 201(e).)

⁸ An Exhibit D, for which no printed form is provided, sets forth an account of money collected or received as a result of a fund raising campaign and transmitted for a foreign principal.

⁹ Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

15. (a) DISBURSEMENTS - MONIES

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 7, 8, and 9 of this statement? Yes ☒ No ☐(2) transmitted monies to any such foreign principal? Yes ☐ No ☒

If no, explain in full detail why there were no disbursements made on behalf of any foreign principal.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

Date	To whom	Purpose	Amount
------	---------	---------	--------

over this six month period registrant has
disbursed/expended:

Jetro NY

reg. fee \$1305
edit sus \$1800
(est)
clerical sus \$300
(est)
office/misc \$300
(est)
travel \$1000
(est)
photographer \$600
\$4305

KOTRA NY

reg. fee \$305
misc (est) 800
6105

\$5410

Total

(b) DISBURSEMENTS - THINGS OF VALUE

During this 6 month reporting period, have you disposed of anything of value¹⁰ other than money in furtherance of or in connection with activities on behalf of any foreign principal named in Items 7, 8, and 9 of this statement?

Yes ☐No ☒

If yes, furnish the following information:

Date disposed	Name of person to whom given	On behalf of what foreign principal	Description of thing of value	Purpose
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(c) DISBURSEMENTS- POLITICAL CONTRIBUTIONS

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value¹¹ in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office?

Yes ☐No ☒

If yes, furnish the following information:

Date	Amount or thing of value	Name of political organization	Name of candidate
------	--------------------------	--------------------------------	-------------------

^{10, 11} Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks" and the like.

V - INFORMATIONAL MATERIALS

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any informational materials ^{12?}
 Yes ☒ No ☐

IF YES, RESPOND TO THE REMAINING ITEMS IN SECTION V.

17. Identify each such foreign principal.

KOTRA NY
 Jetro NY

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating informational materials? Yes ☒ No ☐

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

Jetro NY: Support of Oct. 24th US-Japan
 Investment Initiative meeting in
 Washington, DC - media releases and
 advertising \$20,000

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of informational materials include the use of any of the following:

- ☒ Radio or TV broadcasts ☒ Magazine or newspaper articles ☐ Motion picture films ☒ Letters or telegrams
☒ Advertising campaigns ☒ Press releases ☐ Pamphlets or other publications ☒ Lectures or speeches
☒ Internet ☐ Other (specify) interviews / meetings

20. During this 6 month reporting period, did you disseminate or cause to be disseminated informational materials among any of the following groups:

- ☒ Public Officials ☐ Newspapers ☐ Libraries
☐ Legislators ☐ Editors ☐ Educational institutions
☒ Government agencies ☐ Civic groups or associations ☐ Nationality groups
☒ Other (specify) general media, investors & opinion leaders

21. What language was used in the informational materials:

- ☐ English ☐ Other (specify) _____

22. Did you file with the Registration Unit, U.S. Department of Justice a copy of each item of such informational materials disseminated or caused to be disseminated during this 6 month reporting period? Yes ☒ No ☐

23. Did you label each item of such informational materials with the statement required by Section 4(b) of the Act? Yes ☒ No ☐

12 The term informational materials includes any oral, visual, graphic, written, or pictorial information or matter of any kind, including that published by means of advertising, books, periodicals, newspapers, lectures, broadcasts, motion pictures, or any means or instrumentality of interstate or foreign commerce or otherwise. Informational materials disseminated by an agent of a foreign principal as part of an activity in itself exempt from registration, or an activity which by itself would not require registration, need not be filed pursuant to Section 4(b) of the Act.

VI – EXECUTION

In accordance with 28 U.S.C. §1746, the undersigned swear(s) or affirm(s) under penalty of perjury that he/she has (they have) read the information set forth in this registration statement and the attached exhibits and that he/she is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his/her (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in the attached Short Form Registration Statement(s), if any, insofar as such information is not within his/her (their) personal knowledge.

(Date of signature)

2/9/08

(Type or print name under each signature¹³)

Keith W. Rebin

¹³ This statement shall be signed by the individual agent, if the registrant is an individual or by a majority of those partners, officers, directors or persons performing similar functions, if the registrant is an organization, except that the organization can, by power of attorney, authorize one or more individuals to execute this statement on its behalf.

UNITED STATES DEPARTMENT OF JUSTICE
FARA REGISTRATION UNIT
NATIONAL SECURITY DIVISION
WASHINGTON, D.C. 20530

NOTICE

Please answer the following questions and return this sheet in triplicate with your Supplemental Statement:

1. Is your answer to Item 16 of Section V (Informational Materials – page 8 of Form CRM-154, formerly Form OBD-64 Supplemental Statement):

YES X or NO _____

(If your answer to question 1 is "yes" do not answer question 2 of this form.)

2. Do you disseminate any material in connection with your registration:

YES X or NO _____

(If your answer to question 2 is "yes" please forward for our review copies of all material including: films, film catalogs, posters, brochures, press releases, etc. which you have disseminated during the past six months.)

Keith W. Robin
Signature

2/9/08
Date

Keith W. Robin
Please type or print name of
Signatory on the line above

President
Title



U.S. Department of Justice

National Security Division

Washington, DC 20530

THIS FORM IS TO BE AN OFFICIAL ATTACHMENT TO YOUR CURRENT SUPPLEMENTAL
STATEMENT - PLEASE EXECUTE IN TRIPLICATE

SHORT-FORM REGISTRATION INFORMATION SHEET

SECTION A

The Department records list active short-form registration statements for the following persons of your organization filed on the date indicated by each name. If a person is not still functioning in the same capacity directly on behalf of the foreign principal, please show the date of termination.

Short Form List for Registrant: KWR International!, Inc.

Last Name	First Name and Other Names	Registration Date	Termination Date	Role
Rabin	Keith W.	02/28/2003		



U.S. Department of Justice

National Security Division

Washington, DC 20530

SECTION B

In addition to those persons listed in Section A, list below all current employees rendering services directly on behalf of the foreign principals(s) who have not filed short-form registration statements. (Do not list clerks, secretaries, typists or employees in a similar or related capacity). If there is some question as to whether an employee has an obligation to file a short-form, please address a letter to the Registration Unit describing the activities and connection with the foreign principal.

Name	Function	Date Hired
<i>none</i>		

Signature: *[Signature]*

Date: *2/8/08*

Title: *President*



INTERNATIONAL

[Approach]

[Capabilities]

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[Press]

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2007

US-Japan Investment Initiative Annual Symposium to Focus on Business Alliances/FDI in Japan - Washington, D.C. - October 24, 2007

2006

2005

2004

2003

2002

New York, New York - October 5, 2007 -The Japanese Ministry of Economy, Trade and Industry (METI), U.S. Department of State and the Japan External Trade Organization (JETRO) invite internationally-focused journalists and other interested individuals to hear from leading experts concerning current economic trends and the potential for business alliances / direct investment in Japan. In addition to the information posted below, a more detailed agenda can be obtained at the symposium web site, which can be located at:

2001

<http://www.jetro.org/symp2007>

2000

This event will focus on "Creating Value Through Innovation" and showcase case studies detailing the strategies employed by global shipping and logistics giant FedEx and leading retail property developer Chelsea Property Group and the growth of their Japanese investments and operations. To further emphasize emerging opportunities within Japan's increasingly-dynamic service sector using American innovations, a panel discussion will also feature three innovative information- and technology-oriented firms explaining why they have chosen Japan as a site for their future international expansion efforts.

1999

1998

1997

In addition, the proceedings will provide background on recent changes in Japan's investment environment. This includes passage last May of new laws that facilitate M&A activity by allowing foreign companies to buy Japanese businesses by merging them into Japan-based subsidiaries, using parent company stock to pay for the transaction.

This event will be co-organized by the U.S. Chamber of Commerce and held within its Washington D.C. offices on October 24, 2007 in the Herman Ray Room, located 1615 H Street, NW. Registration will begin at 9:00 AM and the event will conclude at 12:10 PM. Time will be allocated to accredited journalists who have an interest in interviewing speakers and other officials in attendance.? Appointments can be made by contacting the representative indicated below. The agenda will include:

Invest Japan Symposium 2007: Creating Value Through Innovation

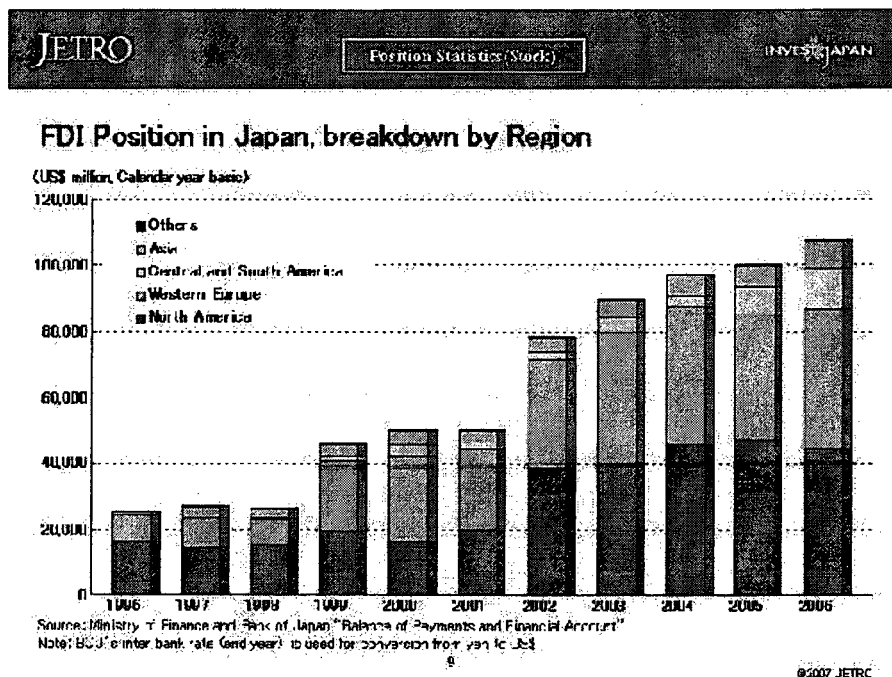
Washington, DC - Wednesday, October 24, 2007
U.S. Chamber of Commerce - 1615 H Street, NW - Wash., DC 20062

Presider: Kazuo Okumura, President, JETRO New York

9:00am	Registration
9:30am	Opening Remarks U.S. Department of State Reuben Jeffery III, Under Secretary of State (Tentative)
9:35am	Presentation by the Organizer Tadashi Izawa, President, JETRO
9:50am	Keynote Lecture Leslie T. Chao, CEO, Chelsea Property Group, Inc. Ken Hisamoto, VP U.S. Intl. Sales, FedEx Services
10:30am	Coffee Break
10:45am	Panel Discussion (Moderator) James Frierson, Former Chief of Staff, Office of the U.S. Trade Representative; Founding Director, Kruesi Center for Innovation (Panelists) Vinh Nguyen, CEO, Macronetics Joshua Ziff, CEO, Bridge Semiconductor Naoshi Yamauchi, Director, Business Dept for Asia, Lulu Enterprises
12:00pm	Closing Remarks Nobuhiko Sasaki, Dep. Director-General, Trade Policy, Japanese Ministry of Economy, Trade and Industry Robert Reis, Senior Director, U.S. Chamber of Commerce

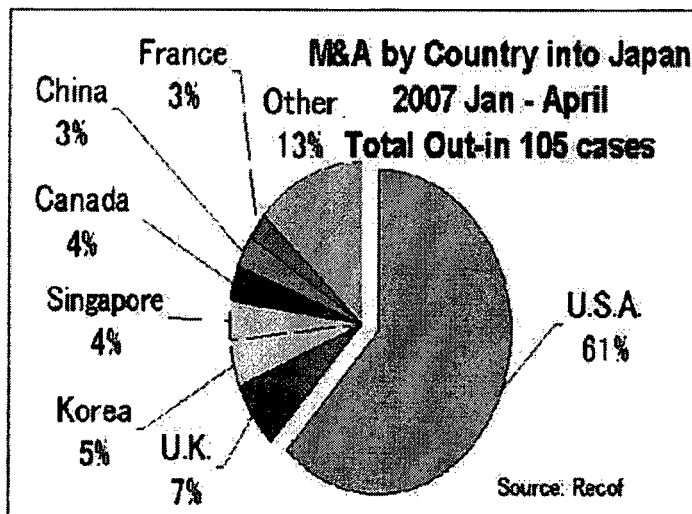
This event is being presented as part of the U.S.- Japan Investment Initiative (USJII), a bilateral effort established in 2001 by the U.S. and Japanese governments as an annual forum to exchange views on ways

to improve the climate for foreign direct investment in both countries. This Initiative is chaired jointly by Japan's METI and the U.S. Department of State. Annual working group meetings are held to discuss current trends and possible measures for improvement.



Supporting organizations include the Asia Society, Japan-America Society, Northern Virginia Technology Council and US PACC (Pan-Asian Chamber of Commerce).

"U.S. Department of Commerce data reveals Japan offers US companies the highest direct investment yields of all major industrialized nations -- at rates approaching 15-20%", states Mr. Tadashi Izawa, President of JETRO and, former Economic Minister of the Japanese Embassy in DC. "This symposium will familiarize U.S. executives and journalists with recent economic and commercial trends and the means by which they might establish business alliances with Japanese firms. This includes the presentation of case studies which detail how U.S. companies have successfully established themselves in Japan, with an emphasis on the service sector."



"In the excitement over China, India and other emerging markets, it is easy to overlook the potential for investment in Japan, the world's second largest economy", notes Mr. Robert Reis of US Chamber. "For this reason, we are pleased to co-host this year's USJII symposium in Washington, where both government and private sector entities can learn about the wide range of opportunities now emerging in Japan and the fundamentals that underlie these developments."

"As the world's largest owner and operator of retail outlet centers, we selected Japan as the site of our first international joint venture in 1999. Chelsea Japan is now the nation's leading developer and owner of upscale outlet centers, with six dominant properties in the Tokyo, Osaka, Nagoya, Kobe, Fukuoka and

Tochigi markets," comments Leslie T. Chao, CEO, Chelsea Property Group. "We attribute this success to changing spending habits and behavior - particularly among baby boomers and older Japanese -- whose annual consumption now exceeds \$500 billion - and who are increasingly value-conscious and open to purchasing a greater range of products and services."

For media inquiries:

Keith W. Rabin
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tel./fax +1-212-532-3005 / 212-685-2413

For other inquiries:

JETRO New York
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2007

Japan Moves To Improve Efficiency Of Service Sector

2006

New York, New York - October 9, 2007 - The Japan External Trade Organization (JETRO) released a newsletter today highlighting developments in Japan's service sector. It can be viewed at:

2005

<http://www.jetro.org/focus>

2004

A summary is presented below:

2003

- **Japan Moves To Improve Efficiency Of Service Sector**

2002

While media attention is largely focused on political and macroeconomic trends, the economic revitalization of Japan is being achieved largely on...

2001

- **Japan is a Very Different Place Today than Only Ten Years Ago**

2000

Whereas once Japanese corporations and banks maintained control through extensive cross-shareholdings, these holdings fell substantially throughout the 1990s and early 2000s when compared to the...

1999

- **The Service Sector Accounts for Almost 70% of the Japanese Economy**

1998

As in all developed economies, Japan's service sector, which includes healthcare, leisure services, distribution, software services, and a host of other activities, has increased in importance. It now accounts for...

1997

- **Study Group Identifies Constraints and Steps to Improve Japan's Service Sector**

To address the obstacles that have been impeding growth in Japan's service sector and to identify policy recommendations and other actions that can address these and other constraints, Japan's Ministry of Economy, Trade and Industry (METI) formed a...

- **Efficiency of Service Sector Important for Both Domestic as well as Global Efficiency**

As globalization has progressed and opportunities for modularizing the production process have increased, large Japanese firms have transferred an increasing percentage of the components of the manufacturing process abroad to reduce costs and...

- **Changes in Japan's Service Sector Driving New Business and Investment Opportunities in Japan**

The desire to revitalize Japan's service sector is creating opportunities for U.S. and other foreign businesses and investors. First, foreign businesses may be able to supply services-e.g., data gathering, software and IT consulting, and...

To view the full contents of this newsletter please visit:

<http://www.jetro.org/focus>

Data, statistics and the reference materials presented within this newsletter have been compiled by JETRO from publicly-released media and research accounts. Although these statements are believed to be reliable, JETRO does not guarantee their accuracy, and any such information should be checked independently by the reader before they are used to make any business or investment decision.

For additional information on economic and financial trends in Japan, please contact us at <http://www.jetro.org/contact> or:

Naritaka Nakaishi
Executive Director
Jetro New York Office
email: naritaka_nakaishi@jetro.go.jp
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2007

US-Korea Free Trade Agreement & Business Opportunities in Korea to be Focus of NYC Investors' Luncheon Forum

2006

2005

New York, New York - November 19, 2007 - Internationally-focused investors, analysts, executives, financial and service professionals, journalists and other interested individuals are invited to meet with Korean Minister of Commerce, Industry and Energy Young-Joo Kim and other business and government leaders during the Second Annual Korea Investors' Luncheon Forum in New York City.

2004

2003

2002

2001

2000

This event will be held without charge on Wednesday, December 5, 2007 from 12:00-13:45 PM at The Waldorf Astoria Hotel, located at 301 Park Avenue (located between 49th and 50th Streets) in New York City. It is being organized by the Korean Ministry of Commerce, Industry and Energy (MOCIE), the Korea Trade-Investment Promotion Agency (KOTRA) and Invest Korea. Participation will be offered on a space available basis to qualified individuals with an existing or potential business or investment interest in Korea. Advance registration is encouraged and advised.

1999

To attend the second annual Korea Investors' Luncheon Forum, please [CLICK HERE](#) to forward a registration request or contact the individual indicated below.

1998

Second Annual Korea Investors' Luncheon Forum: Korea - US FTA and Business Opportunities in Korea

1997

New York, NY - Wednesday, December 5, 2007 - The Waldorf Astoria Hotel - 301 Park Ave. - Bet. 49th & 50th St., NY, NY 10022

11:30am	Registration
12:00pm	Opening Remarks
12:05pm	Welcoming Speech Young-Joo Kim, Minister of MOCIE
12:10pm	Korea- US FTA: Change of FDI Environment & Support Policy Tong-Soo Chung, Head of Invest Korea
12:25pm	Investment Opportunities in Korea's Biotechnology Sector Sang-Ki Lee, Head of Research Korea Institute of Bioscience & Biotechnology
12:35pm	Investment Opportunities in Korea's High-Tech Sector Kyung-Hak Seo, Head of Korea Electronics Technology Institute
12:45pm	U.S. Success Stories in Korea Tami Overby, President American Chamber of Commerce in Korea (AMCHAM)
13:00pm	Q&A and Luncheon
13:45pm	Conclusion

"This event will familiarize corporate and financial investors with recent trends in Korea - the world's tenth largest economy and seventh largest export market of the US -- both on the macro and regulatory level as well as in biotechnology, high-tech, electronics, services and other promising sectors," noted Mr. Jang-Sung Choi, Director, Korea Trade- Investment Promotion Agency (KOTRA) New York. "The agenda will also detail how the US-Korea Free Trade Agreement (FTA) promises to increase trade and investment, and strengthen the overall economic relationship, between our two countries in areas including, but not limited to, financial and professional services, manufacturing, agriculture, retail and the technology sector."

"Korea is now a \$1 trillion economy with an annual per capita income that exceeds \$20,000. It has attracted \$22 billion in US direct investment as of 2006 -- and the U.S.- Korea FTA promises to take the economic relationship of our two countries to the next level," stated Ms. Tami Overby, President of the American Chamber of Commerce in Korea. "This deal will level the playing field and create new opportunities for U.S. firms as well as to improve Korea's overall competitiveness and its investment environment. I believe it also explains part of the reason why US companies such as Google and Texas Instruments are opening Korean R&D centers, Prudential has relocated their Asian headquarters to Seoul and Chelsea Properties has developed a major retail outlet center."

To attend the second annual Korea Investors' Luncheon Forum, please [CLICK HERE](#) to forward a registration request or contact the individual indicated below.

KWR International, Inc.
Keith W. Rabin
email: kiforum@kwrintl.com
tel./fax +1-212-532-3005 / 212-685-2413

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JAPAN MOVES TO IMPROVE EFFICIENCY OF SERVICE SECTOR

OCTOBER 2007

While media attention is largely focused on political and macroeconomic trends, the economic revitalization of Japan is being achieved largely on a sector by sector, company by company and individual basis.

The changes that have taken place in Japan since the Action Plan for Economic Reform was announced in late 1996 are substantial. Comprehensive reform and a changing economic environment have dramatically altered the incentive structure and both the way business is conducted as well as consumer expectations and behavior.

Of special significance are opportunities in Japan's rapidly changing financial, healthcare, retail and other service industries as well as ICT and other technologies that are driving new efficiencies and change. It is also worth noting the changes arising as new small and medium enterprises (SMEs) are achieving success, further driving change and innovation in Japan.

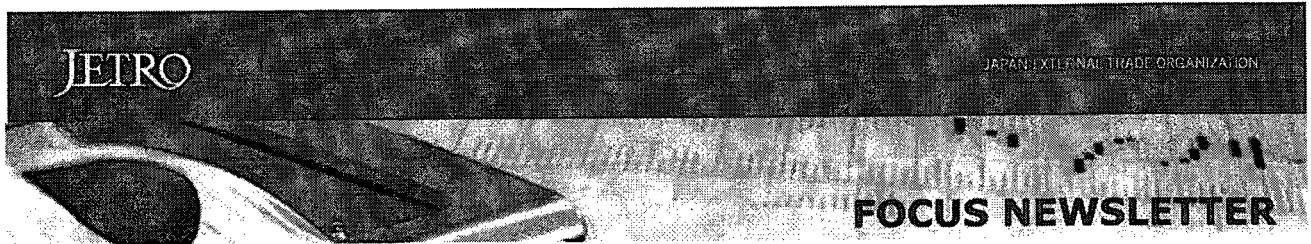
To enhance the development of more efficient and competitive service sector and the operating environment for firms of this kind, Japan's Ministry of Economy, Trade and Industry (METI) recently formed a study group of leading academics, researchers, and industry representatives. The result of their work has helped to identify a number of important obstacles and constraints as well as policy recommendations that are now being examined in an effort to resolve these problems.

Japan is a Very Different Place Today than Only Ten Years ago

Whereas once Japanese corporations and banks maintained control through extensive cross-shareholdings, these holdings fell substantially throughout the 1990s and early 2000s when compared

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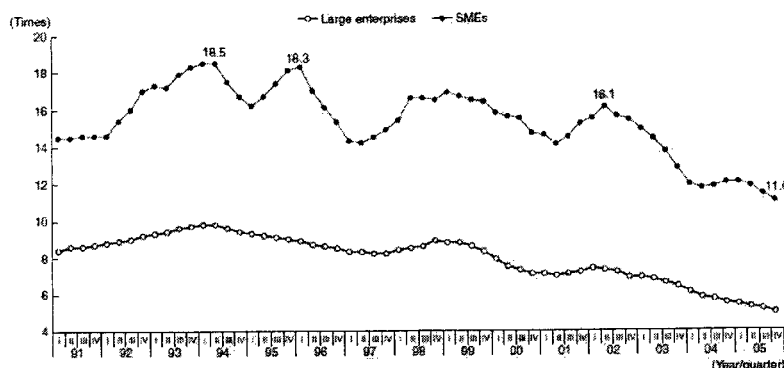


to the 1980s. Many of these shares were sold to foreigners, who now own a much larger share of the Japanese stock market than they did in the past. The effect of this change in ownership to foreign investors, who possess a tradition of corporate activism, from the old system in which managements used cross-shareholding to govern with minimal restraints from outside parties should not be underestimated. Specifically, foreign investors now own 28 percent of Japanese stocks compared with 26 percent in 2006 and a meager 5 percent in 1990. Japan not only has welcomed this investment in shares, but also foreign direct investment into a wide variety of sectors. As of the end of 2006, foreign direct investment in Japan totaled ¥12.8 trillion (\$110 billion), which was 94% larger than in the year 2001. These investments have taken place in many areas where foreign investors previously had little presence. Examples include Proofpoint Japan KK which develops software for computer protection against spam emails, Tetra Tech, which provides consultation services concerning the environment, and eRide Asia Pacific Limited which develops and markets IC chips and supersensitive low-power Global Positioning Systems (GPS).

On a macroeconomic level, Japan remains an export powerhouse, yet domestic consumption has increased in importance. This is a result of a strengthening economy, a more buoyant stock market, improving dividends, confidence from increased corporate profitability and other related trends. Compared to the past, the Japanese economy also is much more closely linked with Asia—both in terms of exports and imports—and Japanese firms now routinely consider India and Southeast Asian countries when evaluating investment destinations. Indeed Japan has become a key driver of growth in Asia as a market, investor, and source of knowledge.

Another development of note is the renewed strength and vigor of SMEs, which have long been important players in the Japanese economy -- but went through extremely tough times in the 1990s. This is especially true among companies who have well-defined niche strategies and proprietary technologies. They have experienced near continuous improvement in their confidence levels, domestic and international shipment performance, profitability, and balance sheets.

Fig. 1-1-22 Trend in debt redemption period of SMEs
SMEs move to eliminate excess debt



Source: Ministry of Finance, *Financial Statements Statistics of Corporations by Industry, Quarterly*.

- Notes:
1. Interest-bearing debt repayment period = outstanding interest-bearing debt / cash flow
 2. Outstanding interest-bearing debt = short-term borrowing + long-term borrowing + corporate bonds
 3. Cash flow = ordinary profit x 0.5 + depreciation expenses
 4. The moving average for the past four quarters is used for the interest-bearing debt repayment period.

Significant changes have also transpired in the employment realm. In contrast to historical practices, which emphasized seniority and lifetime employment, companies are now moving to rationalize their workforces. This includes taking advantage of part-time and other flexible labor arrangements. Examples include outsourcing manufacturing and engineering activities to maintain cost competitiveness, reaching the outer frontiers of technological development, and customizing products to meet consumer needs. The emergence of a sustainable economic recovery combined with historically low interest rates has helped to encourage more labor flexibility. Whereas entrants into the workforce previously focused on obtaining positions that offered stability and long-time job security, we are now seeing a growing willingness among Japanese workers, especially those within the younger generation, to change jobs in search of opportunities that allow for career advancement and personal fulfillment.

As far as investment behavior is concerned, Japanese investors are also becoming more accustomed to risk and more cognizant of the importance of profitability and the financial parameters used to evaluate companies in the U.S. This is causing them to put greater stress on investment return, which in turn, is leading to a search for higher yielding investments such as foreign currency denominated money market funds, certificates of deposit, and bonds. It is also leading to greater exposure to hedge funds and companies offering high dividends. Seeking



to take advantage of these shifting risk proclivities, HSBC Investments created the first pure Russian equity fund for Japanese investors in July 2007. For their part, Japanese institutional investors such as life insurers, pension funds, and non-life insurance companies are also increasing their investment in private equity, in some cases doubling their investment of plan assets as well as other alternative asset vehicles.

This desire for higher returns is by no means confined to investors. Japanese managers are well aware of the need to shift away from a focus on market share and production volumes to boosting profitability and shareholder returns. This is leading to new efficiencies, the elimination of excess capacity through consolidation, and greater shareholder buybacks and dividend increases. In terms of consolidation, 2006 represented a watershed year as the first-ever hostile takeover bid by one Japanese blue-chip company (Oji Paper Company) for another (Hokuetsu Paper Mills Ltd.) took place. Though it ultimately failed, this event opened the door to a more intense M&A environment moving forward.

Consumer expectations and behavior have also changed. The greater diversification of lifestyles and exposure to other cultures have caused Japanese consumers to become less uniform in their preferences and they are now more receptive to a wider range of services and product offerings. This includes more acceptance of Western food products such as soft drinks, cereals, and wine as well as Western fast food chains such as the ubiquitous McDonalds, Subways and Starbucks. In addition, Japanese consumers have become more willing to embrace value pricing or goods which offer good quality at low cost versus high end or upscale brand goods. The emergence of retail chains, such as Fast Retailing's UNIQLO, which combines Japanese design and style to products sourced in China and other lower cost production venues as well as outlet stores created by developers such as the Chelsea Property Group are examples of this trend. In UNIQLO's case, it opened its first urban store in the trendy Tokyo neighborhood of Harajuku in 1998 and now has about 700 stores in Japan, and since 2001 has begun its overseas expansion through the opening of additional stores in the UK, US and Hong Kong.

The transformation of these shareholding patterns, Japanese macroeconomic features, SME



structures, investor preferences, management objectives, and consumer preferences is leading to dramatic changes in corporate and consumer practices. This is coupled with a rising demand for a far more robust, efficient, and diverse service sector.

The Service Sector Accounts for Almost 70% of the Japanese Economy

As in all developed economies, Japan's service sector, which includes healthcare, leisure services, distribution, software services, and a host of other activities, has increased in importance. It now accounts for almost 70% of economic activity whether measured in terms of GDP or employment. Going forward, it is likely to become even more important due to demographic changes such as Japan's shrinking birthrate and aging population. This creates a rising demand for new services, outsourcing certain aspects of the manufacturing process out of Japan, and a range of deregulation and privatization measures. This is creating a range of new opportunities for domestic and foreign private businesses. Moreover, the ongoing development of Japanese financial markets, as both government and business seeks to reduce the cost and increase the availability of capital for new business formations, restructurings, and expansions, will bolster the demand for legal and financial services. Finally, the need for Japanese business to move up the value added chain through branding and innovative design ideas should fuel the development of service businesses in areas such as design, marketing and other relevant corporate services.

Japan's service sector, however, has lagged in terms of productivity growth when compared to sectors such as telecom, finance and insurance and manufacturing. Between 1995 and 2003, it achieved only 34% of the productivity growth rate of the U.S. and only 62% of the productivity growth rate of the U.K. Given the rising importance of this sector, Japan will need to take steps to improve service sector productivity to sustain its ongoing economic recovery. Initiatives to increase innovation otherwise enhance the business environment for services are also becoming a real priority.



Study Group Identifies Constraints and Steps to Improve Japan's Service Sector

To address the obstacles that have been impeding growth in Japan's service sector and to identify policy recommendations and other actions that can address these and other constraints, Japan's Ministry of Economy, Trade and Industry (METI) formed a study group, comprised of leading academics, researchers, and industry representatives.

This study group recognized early in its work that it was desirable to think about productivity not only in terms of reducing the costs of inputs, but also in terms of raising the "quantity" of output—e.g., by improving the quality of services delivered to consumers. This richer way of framing productivity allowed the study group to identify a wider range of factors impinging upon productivity improvements as well as to develop a wider range of policy suggestions.

The results of their work were released in a report **Towards Innovation and Productivity in Service Industries**, which was released by METI in Japanese in April, 2007 and in English last July.

In this report, the study group specifically highlighted factors such as a lack of foreign and domestic competition, a dearth of service-oriented R&D activity, inadequate attention to the development of human capital, and an absence of well defined standards and benchmarks. Benchmarks and standards are important because they give consumers confidence and trust in the quality of the services they receive. This helps to dispose them to do more business with service providers whose products they might not otherwise consume due to uncertainty and lack of information.

The study group also noted insufficient use of IT, a variable which Research Institute of Economy Trade and Industry (RIETI) faculty fellow Tsutomu Miyagawa stressed as holding back the productivity of Japanese service industries such as the distribution, transportation, and hotel industries. Beyond this, the study group directed attention to the business



environment as a factor hindering the expansion and renovation of the service sector.

To tackle these and other problems confronting the service sector, the study group called for a multitude of measures. One is regulatory reforms that would promote competition, cooperation between industry and academia to improve service related R&D. This will help to increase service efficiency and quality, and to enhance information flows and the quality, quantity, and availability of service benchmarks and standards.

Furthermore, the study group recommended that the government establish centers for R&D of service engineering, support demonstration products where scientific and engineering approaches had been successfully utilized in the service area, and to create structures within existing organizations to help SMEs introduce more advanced service management methods. The study group also advised government support for a service certification system, efforts to enhance the training of service personnel, and initiatives to expand the use of IT in the service sector. This includes software sharing, Internet based accounting, and backing for RFID technology.

Of interest to foreign investors, the study group also recommended Japanese government support for WTO negotiations that would advance the liberalization of trade in services. Additionally, it championed Japanese government initiatives that would encourage investment by foreign businesses in the Japanese service sector.

Efficiency of Service Sector Important for Both Domestic as well as Global Efficiency

As globalization has progressed and opportunities for modularizing the production process have increased, large Japanese firms have transferred an increasing percentage of the components of the manufacturing process abroad to reduce costs and gain the benefits of proximity to customers. This move outside Japan, though, is no longer confined to large firms as technological and other changes make it both more feasible and necessary for SMEs



to offshore some, or all of, their production processes. In the end, firms are likely to house in Japan only those operations that require advanced technology, highly skilled workers (engineers, managers, and the like), and select competencies primarily available in Japan.

While these operations provide many rewarding opportunities for Japanese workers and contribute to high Japanese living standards, the reality is that the service sector will become more and more important as a source of jobs and the resources needed to sustain rising living standards. Ultimately, however, the service sector will not reach its full potential until Japan moves forward on a number of the recommendations put forth by the aforementioned study group as well as others that are now under discussion.

Japanese policymakers recognize the need to do more to achieve this goal. Speaking about services, albeit with a focus on the Japanese stock market, Japanese financial services minister Yuji Yamamoto observed, "Japan cannot be totally dependent upon manufacturing alone."

Changes in Japan's Service Sector Driving New Business and Investment Opportunities in Japan

The desire to revitalize Japan's service sector is creating opportunities for U.S. and other foreign businesses and investors. First, foreign businesses may be able to supply services—e.g., data gathering, software and IT consulting, and training—and goods—RFID devices, software, and Internet based certification structures—that improve the productivity and efficiency of Japanese service providers.

Second, foreign businesses may locate attractive opportunities as the Japanese government moves to deregulate, privatize, and liberalize in an effort to enhance the level of competition in Japan's service sector as well as to bring in new ideas and methods. For example, if Japanese debates to liberalize the aviation sector pursuant to the Asian Gateway Initiative make headway, new opportunities will emerge for foreign firms to provide aviation as well

as airport services. Similarly, Japan's current quest to reinvigorate Tokyo as a global financial center will create opportunities for foreign banks, hedge funds, and private equity funds to offer a multitude of investment products. The lure of this is clear given that big foreign investment banks such as Morgan Stanley and Goldman Sachs achieved record revenues in Japan in 2006 as a result of their brokerage, securitization, and M&A operations in the country.

Many foreign retailers and restaurateurs have also had considerable success in the Japanese market. In the former category are firms such as L.L. Bean, Benetton, and the GAP. In the latter category are entities such as TGI Friday's, Outback Steakhouse, and Gramercy Tavern. Tellingly, even smaller firms are finding opportunities in the Japanese service sector, moving into diverse areas sometimes with the assistance of Japanese government organizations such as the Japan External Trade Organization (**JETRO**). To illustrate, Scala Inc., a Pennsylvania manufacturer of digital design software, recently opened a wholly owned subsidiary in Japan. In addition, Clear Channel Outdoor Inc., an outdoor advertising company from Arizona entered into a joint venture in with Mitsui & Co. Ltd. Finally, Giuliani Partners LLC, former New York Mayor Rudolph W. Giuliani created a safety and security management consulting firm titled Giuliani Security and Safety Asia Inc.

Third, foreign investors such as mutual funds, hedge funds, and private equity firms may identify opportunities to invest in Japanese service firms that offer attractive returns as they restructure and enhance their productivity.

Aside from potential gains from supplying Japanese firms with goods and services, operations in Japan also provide businesses and investors with an opportunity to diversify as well as to expand their international exposure to East Asia, with which Japan has become increasingly integrated.

It should be recognized that a foreign presence in Japan permits foreign firms to learn from operations in Japan and dealings with Japanese consumers as well as to absorb new



product ideas that can be transferred to other markets. In this vein, Jochen Zeitz, CEO and Chairman, PUMA AG Rudolf Dassler Sport, which opened an operation in Japan in 2003, quipped, "Since Japan and Tokyo in particular, is the epicenter of trends in the Asia/Pacific Region, our focus is on further strengthening our position in this key market."

To further examine Japan's service and other targeted sectors as well as innovation, case studies, and other issues that impact on its attractiveness as a market for business and financial investment, JETRO, the U.S. Department of State and METI, in cooperation with the U.S. Chamber of Commerce, are now planning to host a symposium on October 24, 2007 in Washington, D.C. This event will be organized as part of the annual United States – Japan Investment Initiative. For registration and other details, please visit: www.jetro.org/symp2007. Media requests should be directed to jetro@kwrintl.com.

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